



2016

LIHTC Mandatory

Developer Training

October 19, 2015

AGENDA

<u>TIME</u>	<u>SPEAKERS</u>	<u>TOPIC</u>
1:00 p.m. – 1:30 p.m.	Dave Vaske	<ul style="list-style-type: none">• Welcome & Introduction• QAP Overview of Changes
1:30 p.m. – 2:15 p.m.	Stacy Cunningham Karen Kulisky	<ul style="list-style-type: none">• Application Instructions Review• Overview of Online Application Changes
2:15 p.m. – 2:30 p.m.	Break	
2:30 p.m. – 3:15 p.m.	John Kerss	<ul style="list-style-type: none">• Construction Overview• Common Building Exhibit Errors
3:15 p.m. – 3:45 p.m.	John Kerss Nancy Peterson Stacy Cunningham Karen Kulisky	<ul style="list-style-type: none">• Common Errors• Exhibit Changes
3:45 p.m. – 4:30 p.m.	Dave Vaske	<ul style="list-style-type: none">• Summary of 2015 Deficiency Numbers• Closing Comments• Questions & Answers

Application Instructions & Resources Review

1. Review of Application Instructions

- Appendix A
- Available on IFA 2016 LIHTC webpage

2. Online Application Training Guide

- Updated based upon 2016 QAP and Online Application changes.
- Explains functionality of the Application.
- Useful for creating and editing an Application.

3. IFA Website

- QAP, Q&A, Exhibits & Appendices

2016 Application Overview of Changes

1. Changes by Application Tab

A. Project Description

i. Credit Request

- Removed ability to request State Home.

ii. Minimum Set-Aside Requirements

- Updated language to match Section 42(g)(1).
- Added statement regarding Section 42(g)(1).

iii. Other Elections

- Added check boxes for scoring categories 6.1.3, 6.2.4 and 6.25.

2016 Application Overview of Changes

iv. Location Near Services

- Updated language.
- Added check box to request points based upon mileage (4 pts or 2 pts).
- Applicant shall provide Exhibit 3S for each service points are requested for.

HINT: Make sure the correct mileage box is checked. IFA will not award a higher score than initially requested by the Applicant's election entered in the Project Description Tab for this scoring category.

2016 Application Overview of Changes

- Added check box certifying Applicant understands that the mileage box selected represents the correct mileage from the Primary Address(es) to the service(s) and understands that IFA will NOT award higher points than initially requested in the Application
 - Limited entry to one service per category.
 - Maximum of 4 points per service up to 24 points.
- v. Impact on the Environment
- Removed specification box for water heater tank type.

2016 Application Overview of Changes

vi. Overview (Deleted)

B. Targeting Plan

- Updated QAP year.

C. Nonprofit Set-Aside

- Renamed & questions added.
- Submission required within timeframe specified in QAP Section 1 for Projects that will be requesting the Nonprofit Set-Aside at Threshold Application Submission.
 - ✓ Project Name and Location shall be entered in Application prior to submission of the Nonprofit Exhibits by 11-6-15.

2016 Application Overview of Changes

- ✓ The Nonprofit Set-Aside Tab will not show if an Applicant doesn't submit a request to IFA to review the proposed Nonprofit entity by November 6, 2015 and the Nonprofit Set-Aside will not be permitted to be checked on the Project Description Tab.

D. Site Description

- Description box for current use of property, adjacent property land uses, and surrounding neighborhoods moved here from the Project Amenities Tab.
- Language & questions updated.
- Relocation plan information shall be entered in place of Exhibit 13T.

2016 Application Overview of Changes

E. Site Control

- Added additional mandatory questions when Identity of Interest is answered “Yes”.
- Types of control (other than fee simple) have been separated to individual questions/fields.
 - ✓ Option to Purchase and Option to Lease.
- For projects acquiring an existing building(s) and requesting acquisition credits, added information regarding eligibility under the 10-Year Rule.
 - ✓ Building information will auto-fill once information has been entered in Buildings Tab, but Applicant shall complete exception information, if applicable.
 - ✓ Exhibit 8T – Coming Soon.

2016 Application Overview of Changes

E. Site Control, continued.

- Added questions as to whether cash will be received or transferred from the acquisition transaction.
- Added question as to whether reserves will be transferred or received from the acquisition transaction.
- Updated the certification box regarding Site Control to language.

2016 Application Overview of Changes

F. Ownership Entity

- i. Ownership Entity address and Contact Information
 - Added field for County.
- ii. Acknowledgements
 - Added additional acknowledgements.
- iii. Ineligibility/Significant Parties
 - Added questions.

2016 Application Overview of Changes

G. Qualified Development Team

i. Chart

- Column added to show members meeting QAP 5.4.2 requirements.
 - ✓ Shows as True or False
 - ✓ If multiple GP/mm's, chart will show GP/mm of Entity Name.

2016 Application Overview of Changes

ii. Identity of Interest

- Auto-configured chart to show QDT members with an Identity of Interest.

iii. Ineligibility/Significant Parties

- Updated language.

iv. Qualified Development Team Experience

- Added questions & updated language for this scoring category.

2016 Application Overview of Changes

v. Management Company Tab

- Mental Health First Aid Training check box for on-site property management staff is now greyed out. This is now mandatory. Language also updated.
- Added 3 acknowledgements.
 - ✓ Targeting Plan
 - ✓ Affirmative Fair Housing Marketing Plan
 - ✓ Written Tenant Selection Policy

2016 Application Overview of Changes

vi. New questions or fields

- Added county in which the General Partner/managing member located.
- Added questions and explanation box to QDT members who are meeting the QDT requirements of QAP Section 5.4.2.

2016 Application Overview of Changes

H. Project Amenities

i. Market Appeal Characteristics

- Historic projects may request points for vented In-Unit Laundry Space with Washer and Dryer.
 - ✓ Description box has statement: Applicant has performed due diligence regarding the historic/SHPO requirements.
- Changed Free Parking to Free On-site Parking.
- Updated description box language for Free Internet Connectivity.

2016 Application Overview of Changes

ii. Construction Characteristics

- Updated language on Exterior Construction Durability.
- Updated language on Main Entrance Areas.
- Historic projects may request points for Steel Frame doors.
 - ✓ Description box has statement: Applicant has performed due diligence regarding the historic/SHPO requirements

iii. Site Amenities

- Added computer learning center and medical alert system.

2016 Application Overview of Changes

iv. New Question

- Will there be an On-Site Residential Manager/Employee's Unit reasonably required for the Project? If yes, then a Manager's Unit must be entered and 24/7 On-site resident manager shall be checked.

I. Construction Characteristics

- Updated carpeting recycled content to 35% from 45%.
- Added Durable Window Sills & Unit Bathroom.
- Corrected language on Accessible Units.
- Updated language for Closets.
- Updated language for Energy Efficiency & added category for NC Projects 4 stories or more.
- Entry of number of washers & dryers is required as is the number of front loading washers and dryers.

2016 Application Overview of Changes

J. Buildings

- Added code requiring that all buildings with a residential unit shall have at least 1 LIHTC Unit and if a project contains single family homes, no single family home can be market-rate.
- Added code for Carryover & 8609 Applications to check for % of increase in rent from threshold.
 - ✓ 4% from initial to 8609.
- Added code to enforce the minimum number of bathrooms per bedroom size.
- Coding changed permitting rent to be charged for Manager's Unit.

2016 Application Overview of Changes

K. Funding Sources

i. Local Government Contribution

- Removed Workforce Housing Tax Credits.
- Fields added for Below Market Interest Rate (savings) for interest rate, loan term and amortization.
- Added certification box.

ii. Funding Sources

- Added statement at top of page stating IFA shall allocate the tax credit amount to the Ownership Entity based on the credit price obtained from the Tax Credit Investor and applies this price to 100% of the Tax Credit amount. IFA does not adjust the Tax Credit Allocation based on the components of the Ownership Entity.

2016 Application Overview of Changes

iii. Existing Debt To Be Assumed

- Added chart to be completed for existing debt to be assumed.

L. **Projected Cash Flow**

- Operating Income
 - ✓ Rental Income from a Manager/Employee Unit may be included, but will not be allowed in Vacancy Allowance calculation.

M. **Costs and Credit Calc**

- Broker and land fees are separated into individual line items.
- Relocation expenses are not permitted in Eligible Basis.

2016 Application Overview of Changes

N. Financial Feasibility

i. Operating Expenses

- Updated to calculate the threshold requirement for Older Persons (\$2,920) and Family (\$3,450).

ii. Unit Cost Cap

- Updated to calculate Unit Cost Cap amounts per bedroom size.
- Calculation now excludes land costs.

iii. Tax Credit Cap per LIHTC Unit

- Updated calculation.

2016 Application Overview of Changes

O. Scoring

- Updated statement at the top of the page.
- Updated categories.

P. Exhibits

- Updated language.
- Exhibit 7B generated in TAC after the required information has been entered into the Application.
- Refer to Appendix K.

Q. Fees

- Updated fee amounts.

2016 Application Overview of Changes

R. Project Timeline

- New.
- Requires entry of anticipated dates for progression through each Project phase.
- Shall be updated at Carryover-10% Application and 8609 Application submission for awarded Projects.

2016 Application Overview of Changes

2. General Changes

- Copy feature modified to only permit copying of a current year application. Prior year applications cannot be copied to a current year application.
- Application numbering changed to Year-01, Year-02, etc.

Example of Eligible Basis Boost Calculation

New Construction Project in a QCT with 60 Total Units

- ✓ 53 LIHTC Units
- ✓ Total Project Costs = \$9,950,000 (Cost Cap is \$13,501,109)
- ✓ Eligible Basis = \$8,425,000
- ✓ Applicable Fraction is 88.34%

$\$8,425,000 \times 1.30 = \$10,952,500$ (30% Boost)

$\$10,952,500 \times .8834 = \$9,675,439$ (Applying Applicable Fraction)

$\$9,675,439 \times .076 = \$735,333$ (Annual Tax Credit)

(Without 30% increase in eligible basis = $\$8,425,000 \times .8834 \times .076 = \$565,641$ Annual Tax Credits)

Example of Tax Credit Cap per LIHTC Unit & Increase

NC Project in a QCT with 60 Total Units

- ✓ 53 LIHTC Units: 19 - 2 bedroom
29 - 3 bedroom
5 - 4 bedroom

- LIHTC Unit Mix & Tax Credit Cap per LIHTC Unit

2 bedroom - 19 Units X \$13,000 = \$247,000

3 bedroom - 29 Units X \$15,600 = \$452,400

4 bedroom - 5 Units X \$17,160 = \$85,800

Total = \$785,200 (Cap w/out Boost)

- Tax Credit Cap per LIHTC Unit Cap with Boost

\$785,200 X 1.30 = \$1,020,760 (**Capped at \$800,000**)

BREAK

LIHTC Construction Design & Process Overview

Refer to 2016 QAP and Appendices E, H and K.

- a) Buildings must be durable, attractive, modest and energy efficient.
- b) Designs must be prepared by architects and engineers licensed to practice in the State of Iowa.
- c) Designs must conform to prevailing local codes as well as IFA requirements.
- d) All contractors must be registered to work in Iowa.

LIHTC Construction Design & Process Overview

- e) Energy Star 3.0 standards must be met for New Construction & IECC for Rehabilitation Projects.
 - NC with 3 stories of residential space or less shall receive a Home Energy Rating Systems (HERS) Index of 70 or less from a certified rater in Iowa. Refer to 2016 QAP, Appendix 1-G-22.
 - NC with 4 stories or more shall meet ANSI/ASHRAE/IES Standard 90.1-2010.

LIHTC Construction Design & Process Overview

- Existing structures:
 - ✓ Prior to the start of construction, IFA requires an engineer or architect to certify that the design meets the 2012 IECC.
 - ✓ Prior to preparation of the final work rehabilitation order & start of rehabilitation, provide a copy of the energy audit conducted by a certified home energy rater to IFA. The rater, owner, and IFA will determine the feasibility of meeting the requirements of IECC.
 - ✓ Appropriate specifications to meet IECC standards or alternate cost effective energy efficiency improvements must be included in the final work rehabilitation order.

LIHTC Construction Design & Process Overview

- f) Construction must begin within 18 months from the reservation date.
- g) An IFA Construction sign that meets the specifications outlined in the Application and Appendix E must be erected at initiation of construction.

LIHTC Construction Design & Process Overview

h) Final plans & specifications must be submitted and approved by IFA before commencing site work or construction. Final plans must incorporate any and all remediation plans to address detrimental site characteristics (if applicable). The final plans must meet:

- Applicable building standards & codes
- Minimum development characteristics
- All construction related scoring criteria for which points were awarded.

LIHTC Construction Design & Process Overview

- i) IFA must be promptly notified of any changes or alterations which deviate from the final plans & specifications as approved by IFA.
- j) A Capital Needs Assessment shall be submitted & approved by IFA prior to beginning construction. (Rehab & Preservation Projects Only)

LIHTC Construction Design & Process Overview

Notes:

1. 2016 QAP Appendix 1-G: high energy efficiency components and appliances are encouraged.
2. 2016 QAP Appendix 1: once final plans, specifications, the energy audit or analysis have been completed, the Applicant shall submit to IFA and receive written approval before commencing site work or construction.
 - ✓ Submit through Construction Tab.

LIHTC Construction Design & Process Overview

Notes:

3. The required documents listed in QAP, Appendix 1, shall be prepared by a duly licensed engineer or architect authorized to do business in Iowa except the HERS rating shall be submitted by a RESNET certified rating agent.

Design Submittal

- Capital Needs Assessment (Rehab & Preservation Projects only)
 - ✓ Prior to the start of construction/rehabilitation. Refer to 2016 QAP, Appendix 1-J.
- Preliminary Costs and Scope of Work for All Projects
 - ✓ Costs Estimate for Hard Construction Costs in Unifomat II or in a format with a comparable level of detail at threshold submission. Refer to Section 5.4.3 of 2016 QAP.
- Energy Assessment/Report.
- Plans & Specifications that include completed civil, architectural, code reviews and specifications; and sprinkler, mechanical & electrical schematics that clearly show IFA requirements are met.

Inspections & Site Visits

- An IFA representative must attend the Pre-Construction/Kick-off Meeting.
- IFA is not the inspector of record.
- Inspections are required as follows:
 - ✓ NC: Foundations, Rough-In, Insulation or Progress & Final
 - ✓ Rehab: Three Progress Visits and a Final
- QAP Section 3.4.7 contains fees for missed or failed inspections.



Exhibit Common Errors

1. Building Exhibits

- Exhibit 4B - Map with Site Location(s) & Plat Map(s)
 - ✓ Not including city map showing Project is in city limits.
 - ✓ Providing map showing only a few blocks around the Project site.
 - ✓ Not clearly defining the site boundaries.
- Exhibit 5B – Site Map/Plans
 - ✓ Not showing location of site utilities and street utilities.
 - ✓ Not showing site amenities checked in the application.
- Exhibit 6B(a-c) – Detrimental Site Documentation
 - ✓ Not providing when there are issues with the site.



Exhibit Common Errors

- Exhibit 8B – Plans and Specifications
 - ✓ Not showing Accessible Units and Units with Communication Features (Audio-Visual) Units.
 - ✓ Not coordinating square footages on plans with those in the Buildings Tab in the Application.
- Exhibit 9B – Preliminary Costs and Scope of Work
 - ✓ Not providing adequate detail to verify costs being claimed in the Costs and Credit Calc Tab.
 - ✓ Updated for 2016:
 - All Projects shall submit a Scope of Work for the Project that includes a cost estimate for the Hard Construction Costs. The estimate shall be in Uniformat II or in a format with a comparable level of detail acceptable to IFA.



Exhibit Common Errors

- Exhibit 1B – Documents evidencing Site Control or Ownership
 - ✓ Purchase price entered in Site Control Tab doesn't match Exhibit 1B and/or the amount in the Costs and Credit Calc Tab.
 - ✓ Doesn't extend for 6 months from the date of the Application submission due date.
 - ✓ Legal description not provided in Exhibit 1B or doesn't match legal description entered in the Site Description Tab.
 - ✓ Not having required easements in place in Exhibit 1B.



Exhibit Common Errors

- Exhibit 2B – Appraisal
 - ✓ The “as is” appraisal amount doesn’t support the purchase price in the Site Control Tab and Costs and Credit Calc Tab.

Exhibit Common Errors

2. Scoring Exhibits

- Exhibit 3S – Location Near Services
 - ✓ Not listing Project's Primary Address in the Buildings Tab.
 - ✓ Listing a service that isn't within the mileage distance permitted to receive scoring points.
 - ✓ Listing a service that doesn't meet the QAP definition for the service.

Exhibit Common Errors

- Exhibit 5S – Local Government Contribution
 - ✓ Lack of supporting documents
 - Appraisal
 - Commitment Letter
 - City Council Resolution
 - Calculation showing imputed interest savings.
 - ✓ Amounts listed in exhibit do not match amounts entered in the Funding Sources Tab.

Exhibit Common Errors

3. Threshold Exhibits

- Exhibit 1T - Application Certification and Acknowledgements
 - ✓ Entity/Individual's names don't match the Application.
 - ✓ Architect didn't complete the Adaptable Unit information.
- Exhibit 3T's & 4T's – Ownership Entity ("OE") & GP/mm Documents
 - ✓ Not providing file-stamped Articles of Organization.
 - ✓ General Partner and Limited Partner Information in Operating Agreement or Limited Partnership Agreement don't match QDT Tab or the Ownership Entity Components in the OE Tab, along with the % of Ownership.
 - ✓ Incomplete documents provided.

Exhibit Common Errors

- Exhibits 5T & 6T – Financing Commitments
 - ✓ Not providing approval of assumption of HOME debt.
 - ✓ Not providing a commitment letter for the \$100 GP/mm contribution.
 - ✓ Not providing documentation the Qualified Nonprofit will receive a minimum of 50% of the Total Developer Fee.
 - ✓ Information in commitment letters don't match information entered into the Funding Sources Tab.
- Exhibit 9T – Development Consultant Agreement
 - ✓ Amount listed in Costs and Credit Calc Tab for Development Consultant doesn't match Agreement or no amount was entered in the Costs and Credit Calc Tab for the Development Consultant.

Exhibit Common Errors

- Exhibit 10T – Tax Credit Investor/Syndication Letter for Sale of Tax Credits
 - ✓ Not signed by one or both parties.
 - ✓ Credit price entered in Funding Sources Tab doesn't match exhibit.
- Exhibit 13T – Relocation Plan
 - ✓ Not providing relocation plan when a commercial tenant will be displaced.

Application Common Errors

1. Incorrect Project Type(s) entered in the Project Description Tab.
 - ✓ If Acq/Rehab and NC – not listing both or listing Acq/Rehab when Adaptive Reuse.
2. Not selecting the GP/mm as a materially participating qualified non-profit in the QDT Tab when Nonprofit Set-Aside has been elected in the Project Description Tab.
3. Incorrect or incomplete legal descriptions entered in the Site Description Tab.
4. Ownership Entity (“OE”) Components entered incorrectly on the OE Tab.
5. Not completing Identity of Interest information correctly, including entry of fees in the OE and QDT Tabs.
6. Not entering the state duly organized in for QDT members.

Application Common Errors

7. Indicating the architect isn't registered in Iowa.
8. Entering the wrong type of management (member vs. manager) for a LLC.
9. Entering the wrong business entity type (LP, LLLP, Corp, or LLC).
10. Not providing all requested information in the QDT narrative. Must explain experience to successfully complete the proposed Project and all other projects under construction, and the number of projects developed of comparable size and complexity.

Application Common Errors

11. Inconsistency in 8823 and LIHTC information entered for QDT members with an Identity of Interest.
12. Incomplete officer/member/director information entered in the organizational structure section for QDT members.
13. Adaptable Units not entered in the Construction Characteristics Tab.
14. Inconsistency on heating/cooling/water heating type entered in Construction Characteristics Tab specifications field and what was entered in utility allowance section on Buildings Tab.
15. Common Space not entered into the Buildings Tab.

Application Common Errors

16. Incorrect square footage entered for the Units and Common Space in the Buildings Tab.
17. “Type of Control” and “Control Document Expiration Date” entries don’t match between the Buildings Tab and the Site Control Tab.
18. Construction loan not entered in the Funding Sources Tab.
19. Reservation fee amount entered incorrectly in the Costs and Credit Calc Tab.
 - *If changes are made in the Application, remember to go back and change the reservation fee amount accordingly.
20. Entry of incorrect property tax amounts in the Projected Operating Costs Tab.



LIHTC Exhibit Changes

- Appendix K lists all exhibits.
- IFA Required Forms – Links are on the Exhibit Tab except for 7B.

1. Building Exhibits (B)

- Exhibit 7B – Political Jurisdiction Certification
 - ✓ Applicant shall generate the form in the Exhibits Tab with the top section pre-filled.

**Note: All Project information must be entered before the pre-filled form can be generated.*

- Exhibit 9B – Preliminary costs and Scope of Work
 - ✓ Required of all Projects.
 - ✓ Cost estimate for the Hard Construction Costs shall be in Unifomat II or in a format with comparable level of detail acceptable to IFA.



LIHTC Exhibit Changes

2. Scoring Exhibits (S)

- Exhibit 2S – Iowa Rose Program Requirements
 - ✓ Added statement that the funds will be set aside monthly and not subject to a unit being rented.
 - ✓ Refer to 2016 Appendix G.
- Exhibit 3S – Location Near Services (Google map)
 - ✓ Applicant must provide.
- 5S – Local Government Contribution
 - ✓ Updated language.
 - ✓ Removed Workforce Housing Tax Credits.
 - ✓ Added new requirement for the Below Market Interest Rate Savings.



LIHTC Exhibit Changes

3. Threshold Exhibits (T)

- Exhibit 1T – LIHTC Application Certification and Acknowledgements
 - ✓ Updated QAP Reference.
 - ✓ Updated language and Olmstead points.
- Exhibit 5T – Letter of intent for construction and permanent financing
 - ✓ Shall extend at least nine (9) months beyond the date the Application is due to IFA.



LIHTC Exhibit Changes

- Exhibit 8T – Coming Soon
- Exhibit 14Ta-b – Authorized Signor Documentation
 - ✓ Guidance shall be issued on or after the March 2016 IFA Board meeting.
 - ✓ Will be required for the Ownership Entity and GP's/mm's of awarded Projects.



LIHTC Exhibit Changes

- Exhibit 15T, Parts 1-3 – State Agency Performance Information
 - ✓ Condensed to one form – 3 parts.
 - ✓ Updated language and dates.
 - Removed the timeframe of 7 years for receipt of an IRS Form 8609.
 - ✓ Added section for individuals/entities signing 15T Parts 1-2 to provide project information for State Noncompliance for non-LIHTC projects.
 - ✓ Parts 1-2 shall be completed by required individuals/entities and uploaded to the Application along with the email showing the form(s) have been provided to each applicable state agency.

Summary of 2015 Threshold Deficiency Numbers

2015 Deficiency Numbers – 23 Applications	
Number (#) of Deficiencies	300+
Average # of Deficiencies	14
Lowest # of Deficiencies	8 - 10
Highest # of Deficiencies	45 - 50

2016 QAP and Online Application Questions

Submit questions to the Q&A on the 2016 IFA website. Answers will be posted weekly until week prior to the Application submission due date.

- <http://www.iowafinanceauthority.gov/Home/DocumentSubCategory/188>

2016 Housing Tax Credit Program

Submit 2016 QAP and Online Application Questions [here](#)